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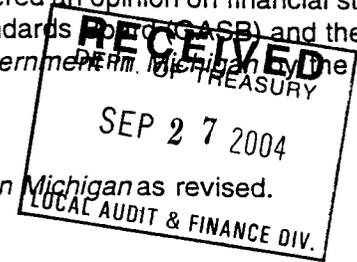
**TOWNSHIP OF ARLINGTON**  
**VAN BUREN COUNTY, MICHIGAN**  
*80-1030*  
**FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2004**

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Arlington Township</b>	County <b>VanBuren</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>9/14/04</b>	Date Accountant Report Submitted to State: <b>9/23/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government promulgated by the Michigan Department of Treasury.



We affirm that:

- We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
- We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- yes  no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- yes  no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- yes  no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- yes  no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- yes  no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- yes  no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- yes  no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- yes  no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- yes  no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	XX		
Reports on individual federal financial assistance programs (program audits).			XX
Single Audit Reports (ASLGU).			XX

Certified Public Accountant (Firm Name) <b>Campbell, Angle, &amp; Steffes P.C.</b>			
Street Address <b>428 Water Street</b>	City <b>Allegan</b>	State <b>MI</b>	ZIP <b>49010</b>
Accountant Signature <i>Theresa E. Steffes CPA Campbell Angle &amp; Steffes P.C.</i>			

# TOWNSHIP OF ARLINGTON

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## INDEPENDENT AUDITOR'S REPORT

September 14, 2004

To the Township Board  
Township of Arlington  
VanBuren County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Arlington, VanBuren County, Michigan as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Arlington Township, VanBuren County, Michigan management. Our responsibility is to express an opinion on these financial statements based on our audit.

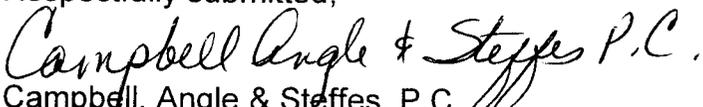
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Arlington as of March 31, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis- for State and Local Governments, as of March 31, 2004.

The management's discussion and analysis and budgetary comparison information on pages 2 and 18 through 20 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

  
Campbell, Angle & Steffes, P.C.  
Certified Public Accountants

# **Management's Discussion and Analysis Arlington Township, Van Buren County**

## **Using this Annual Report**

This report consists of a series of financial statements. The Statement of Net Assets provides information about the activities of the Township as a whole. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

## **The Township as a Whole**

The Township's combined net assets increased are \$727 thousand. The voters of the Township just passed a 2.0 mill renewal for the Township Road fund which will allow for steady road improvements without adding undue burden to the Township's General Fund.

The Township's net assets are very sound.

## **Governmental Activities**

The Township has increased its financial position while making extensive repairs to the Township Hall. The Township did not incur any debt from this project.

## **Economic Factors and Next Year's Budgets and Rates**

State Revenue Sharing is once again expected to decline from former levels. Our Tax Base will slightly increase due to increased property values and new home construction within the Township. We will continue Road improvements to the extent that the Road Millage will allow.

## **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk's office at 48030 C.R. 673, Lawrence, MI 49064.

**TOWNSHIP OF ARLINGTON  
GOVERNMENT WIDE STATEMENT OF NET ASSETS  
MARCH 31, 2004**

	Primary Government	
	Governmental Activities	Total
<b>ASSETS</b>		
Cash and cash equivalents	\$ 563,762	\$ 563,762
Investments	0	0
Receivables - net	119,517	119,517
Capital assets - net	103,841	103,841
 Total Assets	 787,120	 787,120
<b>LIABILITIES</b>		
Accounts payable	3,254	3,254
Accrued and other liabilities	56,808	56,808
Noncurrent Liabilities		
Due within one year	0	0
Due in more than one year	0	0
 Total Liabilities	 60,062	 60,062
<b>NET ASSETS</b>		
Invested in Capital Assets		
Net of related debt	103,841	103,841
Restricted For		
Streets and highways	28,103	28,103
Public safety	21,059	21,059
Unrestricted	574,055	574,055
 Total Net Assets	 \$ 727,058	 \$ 727,058

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF ARLINGTON  
GOVERNMENT WIDE STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2004**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
					Governmental Activities	Primary Government Business-Type Activities	Total
<b>Primary Government</b>							
General government	117,747	6,975	0	0	(110,772)	0	(110,772)
Public safety	108,773	11,230	0	0	(97,543)	0	(97,543)
Public works	106,732	0	0	0	(106,732)	0	(106,732)
Health and welfare	23,733	0	0	0	(23,733)	0	(23,733)
Total Governmental Activities	356,985	18,205	0	0	(338,780)	0	(338,780)
Total Primary Government	\$ 356,985	\$ 18,205	\$ 0	\$ 0	(338,780)	0	(338,780)
<b>General Revenues</b>							
Property taxes					251,129	0	251,129
State-shared revenues					166,878	0	166,878
Interest					3,949	0	3,949
Franchise fees					0	0	0
Miscellaneous					1,913	0	1,913
Transfers					0	0	0
Total General Revenues-Special Items and Transfers					423,869	0	423,869
Change in Net Assets					85,089	0	85,089
Net Assets-Beginning					641,969	0	641,969
Net Assets-Ending					\$ 727,058	\$ 0	\$ 727,058

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF ARLINGTON**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**March 31, 2004**

	General Fund	Road Fund	Fire Fund	Non-Major Governmental Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 496,615	\$ 67,147	\$ 0	\$ 0	\$ 563,762
Investments	0	0	0	0	0
Receivables - net	28,778	11,689	14,981	3,754	59,202
Due from other funds	54,205	24	6,078	8	60,315
Prepays	0	0	0	0	0
Total Assets	<u>579,598</u>	<u>78,860</u>	<u>21,059</u>	<u>3,762</u>	<u>683,279</u>
<b>LIABILITIES</b>					
Accounts payable	3,254	0	0	0	3,254
Due to other funds	6,051	50,757	0	0	56,808
Total Liabilities	<u>9,305</u>	<u>50,757</u>	<u>0</u>	<u>0</u>	<u>60,062</u>
<b>FUND BALANCES</b>					
Reserved for					
Road projects	0	28,103	0	0	28,103
Public safety	0	0	21,059	0	21,059
Health and welfare	0	0	0	3,762	3,762
Unreserved	570,293	0	0	0	570,293
Total Fund Balances	<u>\$ 570,293</u>	<u>\$ 28,103</u>	<u>\$ 21,059</u>	<u>\$ 3,762</u>	<u>\$ 623,217</u>

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

103,841

Net Assets of Governmental Activities

\$ 727,058

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF ARLINGTON**  
**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**March 31, 2004**

	General Fund	Road Fund	Fire Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes and penalties	52,944	78,173	96,283	23,729	251,129
Licenses and permits	0	0	0	11,230	11,230
State aid	166,878	0	0	0	166,878
Charges for services	6,975	0	0	0	6,975
Interest and rentals	3,649	265	27	8	3,949
Other revenue	1,913	0	0	0	1,913
<b>Total Revenues</b>	<b>232,359</b>	<b>78,438</b>	<b>96,310</b>	<b>34,967</b>	<b>442,074</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	95,808	0	0	0	95,808
Public safety	0	0	97,543	11,230	108,773
Public works	9,653	106,732	0	0	116,385
Health and welfare	0	0	0	23,733	23,733
Recreation and cultural	5,757	0	0	0	5,757
Community/Economic development	4,360	0	0	0	4,360
Capital outlay	40,409	0	0	0	40,409
<b>Total Expenditures</b>	<b>155,987</b>	<b>106,732</b>	<b>97,543</b>	<b>34,963</b>	<b>395,225</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>76,372</b>	<b>(28,294)</b>	<b>(1,233)</b>	<b>4</b>	<b>46,849</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	0	28,247	0	0	28,247
Transfers (out)	(28,247)	0	0	0	(28,247)
<b>Total Other Financing Sources (Uses)</b>	<b>(28,247)</b>	<b>28,247</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Revenue and Other Sources Over (Under) Expenditures &amp; Other Uses</b>	<b>48,125</b>	<b>(47)</b>	<b>(1,233)</b>	<b>4</b>	<b>46,849</b>
Fund Balance-April 1, 2003	522,168	28,150	22,292	3,758	576,368
Fund Balance-March 31, 2004	<b>\$ 570,293</b>	<b>\$ 28,103</b>	<b>\$ 21,059</b>	<b>\$ 3,762</b>	<b>\$ 623,217</b>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF ARLINGTON  
 FIDUCIARY FUNDS-STATEMENT OF NET ASSETS  
 MARCH 31, 2004**

	<u>Agency Fund (Property Tax Collection Fund)</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>3,763</u>
Total Assets	\$ <u><u>3,763</u></u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 0
Due to other funds	3,506
Due to other governmental units	<u>257</u>
Total Liabilities	\$ <u><u>3,763</u></u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF ARLINGTON  
VAN BUREN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township of Arlington, Van Buren County, Michigan is a general law Township. The Township operates under an elected Board/Supervisor form of government and provides the following services as authorized by its charter: public safety, highways and street, public improvements, cultural recreation, planning and zoning, and administrative services.

The accounting policies of the Township of Arlington conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**A. The Reporting Entity**

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**TOWNSHIP OF ARLINGTON  
VAN BUREN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road Fund is a Special Revenue Fund of the Township. The Road Fund is used to account for the proceeds of specific revenue tax millages that are legally restricted to expenditures for specified purposes.

The Fire Fund is a Special Revenue Fund of the Township. The Fire Fund is used to account for the proceeds of specific revenue tax millages that are legally restricted to expenditures for specified purposes.

Additionally, the government reports the following non-major fund types:

The Building Inspection Fund is a Special Revenue Fund of the Township. The Building Inspection Fund is used to account for all resources of the Township's permits and licenses.

**TOWNSHIP OF ARLINGTON  
VAN BUREN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**  
(continued)

The Hospital Fund is a Special Revenue Fund of the Township. The Hospital Fund is used to account for the proceeds of specific revenue tax millage that are legally restricted to expenditures for specific purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule would be charges between the government's enterprise funds and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Township of Arlington does not have enterprise funds.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Finally, the government reports the following fund types:

The Tax Collection Fund is a Fiduciary Fund accountable for assets held by the Township in a trustee or agency capacity for individuals, private organizations, other governments, and/or other funds.

**D. Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments-Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables-In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied each July for State Education Tax, and on each December 1 on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent in the following September and March of the following respective period, at which time penalties and interest are assessed.

**TOWNSHIP OF ARLINGTON  
VAN BUREN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

Inventories and Prepaid Items-Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets-Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	30 to 40 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Fire Equipment	07 to 25 years
Vehicles	03 to 05 years
Office Equipment	05 to 07 years
Computer Equipment	03 to 07 years

Compensated Absences (Vacation and Sick Leave)-It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Fund Equity-In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**TOWNSHIP OF ARLINGTON  
VAN BUREN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Government-wide financial statements differ from the Governmental fund financial statements only for the effect of the inclusion of capital assets.

Capitalized Asset Costs	\$ 113,415
Less Accumulated Depreciation	<u>(9,574)</u>
Capital Assets, net	103,841
Governmental Fund Balances	<u>623,217</u>
Net Assets of Governmental Activities	<u>\$ 727,058</u>

**TOWNSHIP OF ARLINGTON  
VAN BUREN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information-The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year. These budgets are adopted on a basis consistent with generally accepted accounting principles.
2. The Township Board approves, by ordinance, total budget appropriations only. Any revisions that alter the total appropriations of any fund must be approved by the Township Board, therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, etc.).
3. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds-During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund-Legal & Accounting	\$ 9,000	\$ 11,956
General Fund-Building and grounds	2,800	5,390
Fire Fund - Public Safety	87,000	97,543

Fund Deficits-The Local Governmental Unit has no accumulated fund balance deficits at this time.

**TOWNSHIP OF ARLINGTON  
VAN BUREN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government of federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Board has designated several banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority.

At year-end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$ 563,762	\$ 3,763	\$ 567,525

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 567,525
Investments in Securities, Mutual Funds and Similar Vehicles	-
Petty Cash and Cash on Hand	-
Total	<u>\$ 567,525</u>

The bank balance of the primary government's deposits is \$567,525, of which \$499,672 is covered by federal depository insurance.

**TOWNSHIP OF ARLINGTON  
VAN BUREN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 5 - RECEIVABLES**

Receivables as of year-end for the government's individual major, nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are reported in the Government Wide Statement of Net Assets as follows:

	Major Funds			Non-Major and Other Funds	Total
	General Fund	Road Fund	Fire Fund		
Taxes receivable	\$ 8,034	\$ 11,689	\$ 14,981	\$ 3,754	\$ 38,458
State share revenues receivable	20,744	0	0	0	20,744
Due from other funds	54,205	24	6,078	8	60,315
Less: allowance for uncollectibles	0	0	0	0	0
Net Receivables	<u>\$ 82,983</u>	<u>\$ 11,713</u>	<u>21,059</u>	<u>\$ 3,762</u>	<u>\$ 119,517</u>

**TOWNSHIP OF ARLINGTON  
VAN BUREN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 25,000	0	0	\$ 25,000
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	<u>25,000</u>	<u>0</u>	<u>0</u>	<u>25,000</u>
Capital Assets Being Depreciated				
Buildings	38,732	38,906	0	77,638
Improvements other than buildings	0	0	0	0
Machinery and equipment	<u>9,846</u>	<u>6,432</u>	<u>(5,501)</u>	<u>10,777</u>
Subtotal	<u>48,578</u>	<u>45,338</u>	<u>(5,501)</u>	<u>88,415</u>
Less Accumulated Depreciation for				
Buildings	3,897	1,282	0	5,179
Machinery and equipment	<u>3,508</u>	<u>887</u>	<u>0</u>	<u>4,395</u>
Subtotal	<u>7,405</u>	<u>2,169</u>	<u>0</u>	<u>9,574</u>
Net Capital Assets Being Depreciated	<u>41,173</u>	<u>43,169</u>	<u>(5,501)</u>	<u>78,841</u>
Governmental Activities Capital Total				
Capital Assets-Net of Depreciation	<u>\$ 66,173</u>	<u>\$ 43,169</u>	<u>\$ (5,501)</u>	<u>\$ 103,841</u>

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental Activities</b>	
General government	\$ 2,169
Public safety	0
Public works	0
Economic development	0
Recreation and culture	<u>0</u>
Total Governmental Activities	<u>\$ 2,169</u>

**TOWNSHIP OF ARLINGTON  
VAN BUREN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Due To/From Other Funds</u> <u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 3,448	Tax Collection	\$ 3,448
General Fund	50,757	Road Fund	50,757
Road Fund	24	Tax Collection	24
Fire Fund	6,051	General Fund	6,051
Fire Fund	27	Tax Collection	27
Hospital Fund	<u>8</u>	Tax Collection	<u>8</u>
Total	<u>\$ 60,315</u>		<u>\$ 60,315</u>

**Interfund Transfers**

<u>Transfers In</u>	<u>Transfers (Out)</u>		<u>Total</u>
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	
Road Special Millage Fund	<u>\$ 28,247</u>	<u>\$ 0</u>	<u>\$ 28,247</u>
Total	<u>\$ 28,247</u>	<u>\$ 0</u>	<u>\$ 28,247</u>

**REQUIRED SUPPLEMENTAL AND ADDITIONAL INFORMATION**

**TOWNSHIP OF ARLINGTON  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED MARCH 31, 2004**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	501,187	501,187	522,168	20,981
Resources (Inflows)				
Property taxes	53,950	53,950	52,944	(1,006)
State aid	165,000	165,000	166,878	1,878
Licenses and permits	3,350	3,350	0	(3,350)
Charges for services	1,610	1,610	6,975	5,365
Interest and rentals	1,300	1,300	3,649	2,349
Miscellaneous revenues	100	100	1,913	1,813
Transfers from other funds	0	0	0	0
Amounts Available for Appropriation	726,497	726,497	754,527	28,030
Charges to Appropriations (Outflows)				
General Government				
Township board	23,300	23,300	18,058	5,242
Supervisor	10,635	10,635	10,635	0
Treasurer	14,365	15,167	15,073	94
Assessing	10,700	10,700	10,464	236
Clerk	12,000	12,000	11,137	863
Board of review	1,300	1,300	1,200	100
Other General Government				
Building & grounds	2,700	2,800	5,390	(2,590)
Legal & accounting	9,000	9,000	11,956	(2,956)
Cemetery	9,225	11,975	11,895	80
Public works	8,600	10,325	9,653	672
Recreation & culture	0	5,757	5,757	0
Health & welfare	415	415	0	415
Community & economic development	13,450	13,450	4,360	9,090
Capital outlay	11,500	43,159	40,409	2,750
Transfers to other funds	94,600	94,600	28,247	66,353
Total Charges to Appropriations	221,790	264,583	184,234	80,349
Budgetary Fund Balance-March 31	<u>\$ 504,707</u>	<u>\$ 461,914</u>	<u>\$ 570,293</u>	<u>\$ 108,379</u>

**TOWNSHIP OF ARLINGTON  
BUDGETARY COMPARISON SCHEDULE  
MAJOR ROAD FUND  
YEAR ENDED MARCH 31, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Beginning of Year Fund Balance	\$ 28,922	\$ 28,922	\$ 28,150	\$ (772)
Resources (Inflows)				
Property taxes	74,000	74,000	78,173	\$ 4,173
Miscellaneous revenues	1,400	1,400	265	\$ (1,135)
Transfers from other funds	<u>94,600</u>	<u>94,600</u>	<u>28,247</u>	<u>\$ (66,353)</u>
Amounts Available for Appropriation	<u>198,922</u>	<u>198,922</u>	<u>134,835</u>	<u>(64,087)</u>
Charges to Appropriation (Outflows)				
Public Works				
Roads	<u>170,000</u>	<u>170,000</u>	<u>106,732</u>	<u>63,268</u>
Total Charges to Appropriations	<u>170,000</u>	<u>170,000</u>	<u>106,732</u>	<u>63,268</u>
Budgetary Fund Balance-March 31	<u>\$ 28,922</u>	<u>\$ 28,922</u>	<u>\$ 28,103</u>	<u>\$ (819)</u>

**TOWNSHIP OF ARLINGTON  
BUDGETARY COMPARISON SCHEDULE  
MAJOR FIRE FUND  
YEAR ENDED MARCH 31, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Beginning of Year Fund Balance	\$ 21,143	\$ 21,143	\$ 22,292	\$ 1,149
Resources (Inflows)				
Taxes and penalties	87,000	87,000	96,283	9,283
Miscellaneous revenue	<u>0</u>	<u>0</u>	<u>27</u>	<u>27</u>
Amounts Available for Appropriation	108,143	108,143	118,602	10,459
Charges to Appropriations (Outflows)				
Public Safety				
Fire	<u>87,000</u>	<u>87,000</u>	<u>97,543</u>	<u>(10,543)</u>
Total Charges to Appropriations	<u>87,000</u>	<u>87,000</u>	<u>97,543</u>	<u>(10,543)</u>
Budgetary Fund Balance-March 31	<u>\$ 21,143</u>	<u>\$ 21,143</u>	<u>\$ 21,059</u>	<u>\$ (84)</u>

TOWNSHIP OF ARLINGTON  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED MARCH 31, 2004

	Special Revenue Funds		Total Non-Major Governmental Funds
	Hospital	Building Inspection	
<b>Assets</b>			
Cash and cash equivalents	\$ 0	\$ 0	\$ 0
Investments	0	0	0
Receivables - net	3,754	0	3,754
Due from other funds	8	0	8
<b>Total Assets</b>	<u>\$ 3,762</u>	<u>\$ 0</u>	<u>\$ 3,762</u>
<b>Liabilities and Fund Equity</b>			
<b>Liabilities</b>			
Accounts payable	\$ 0	\$ 0	\$ 0
Due to other funds	0	0	0
<b>Total Liabilities</b>	0	0	0
<b>Fund Balance</b>			
Reserved	3,762	0	3,762
Unreserved	0	0	0
<b>Total Fund Equity</b>	<u>3,762</u>	<u>0</u>	<u>3,762</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 3,762</u>	<u>\$ 0</u>	<u>\$ 3,762</u>

**TOWNSHIP OF ARLINGTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED MARCH 31, 2004**

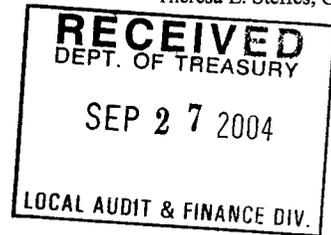
	Special Revenue Funds		Total Non-Major Governmental Funds
	Hospital	Building Inspection	
Revenues			
Taxes and penalties	23,729	0	23,729
Charges for services	0	11,230	11,230
Interest	8	0	8
<b>Total Revenues</b>	<b>23,737</b>	<b>11,230</b>	<b>34,967</b>
Expenditures			
Current			
Public safety	0	11,230	11,230
Health and welfare	23,733	0	23,733
Capital outlay	0	0	0
<b>Total Expenditures</b>	<b>23,733</b>	<b>11,230</b>	<b>34,963</b>
Excess of Revenues Over (Under) Expenditures	4	0	4
Other Financing Sources (Uses)			
Operating transfers in	0	0	0
Operating transfers (out)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	4	0	4
Fund Balance-April 1, 2003	3,758	0	3,758
Fund Balance-March 31, 2004	<u>\$ 3,762</u>	<u>\$ 0</u>	<u>\$ 3,762</u>

# CAMPBELL, ANGLE & STEFFES, P.C.

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September 14, 2004

In planning and performing the audit of the Basic Financial Statements of the Township of Arlington for the year ended March 31, 2004, we considered the Township's internal control structure to determine audit procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of a few matters that are an opportunity to strengthen internal control and increase operating efficiency. We offer the following items for your consideration.

### Uninsured Funds

The Township currently has cash funds in four banks, with a total of \$67,852 over the federally insured level as of March 31, 2004. We recommend that no more than \$200,000 be maintained in any one bank, \$100,000 limit each in savings and demand accounts, to avoid risk of uninsured losses that may occur.

### Budget Review

During our audit, we noted three expenditures in excess of the budgeted amounts. We observed regular review of the budget in the board minutes. Continued review is recommended.

Budget Item	Budget Approved	Expenditure Amount
General Fund- Legal & Accounting	\$9,000	\$11,956
General Fund- Building and grounds	2,800	5,390
Fire Fund- Public Safety	87,000	97,543

### Interest on Savings Accounts

It was noted that interest earnings on savings accounts and certificates of deposit were not recorded in the General Ledger. Periodic bank statements are being received, allowing interest earned amounts to be recorded and reconciled to the General Ledger balances.

### New Financial Reporting Model

The Governmental Accounting Standards Board (GASB) has recently approved a new financial reporting model. The Arlington Township officials have completed this reporting conversion in this fiscal year. The township records now include necessary accrual balances and capitalized fixed assets of the Township. We appreciate the cooperation of township officials in making this conversion.

### General

In general the internal control systems of the Township are good and functioning properly. The comments noted above will help the Township strengthen the existing controls and will help provide greater accountability to residents of the Township.

We greatly appreciate the help and cooperation given us by all Township employees and officials.

Respectfully submitted,

Campbell, Angle & Steffes, P.C.  
Certified Public Accountants